

Message Text

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ORIGIN EB-08

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: PRESIDENTIAL DECISION ON NON-RUBBER FOOTWEAR

REF: (A) GENEVA 2519, (B) MTN GENEVA 2566, (C) SPRUCE-
GOLDMAN TELECON, (D) STATE 72282

1. THE NON-RUBBER FOOTWEAR CASE AND THE PRESIDENT'S
DECISION WOULD APPEAR TO BE OF SUFFICIENT IMPORTANCE AND
INTEREST TO WARRANT A GATT NOTIFICATION WHICH MAY BE
SOMEWHAT LONGER THAN THAT PRESENTED IN OTHER ESCAPE CLAUSE
CASES.

2. IN LIGHT OF REF B, HOWEVER, WE SUGGEST FOLLOWING TEXT
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TO REPLACE REF D FOR CIRCULATION TO GATT CP'S:
BEGIN UNCLASSIFIED:
3. 3. BEGIN TEXT: PRESIDENT LAUNCHES NEW TRADE ADJUSTMENT
EFFORT: SEEKS TEMPORARY FOOTWEAR AGREEMENTS

IN HIS FIRST MAJOR POLICY DECISION ON IMPORT RELIEF,
PRESIDENT CARTER HAS DIRECTED A MAJOR NEW FEDERAL TRADE

ADJUSTMENT EFFORT TO BE UNDERTAKEN TO ASSIST THE DOMESTIC FOOTWEAR INDUSTRY TO BECOME MORE COMPETITIVE. AT THE SAME TIME, IN ORDER TO FACILITATE THIS EFFORT, THE PRESIDENT HAS INSTRUCTED HIS SPECIAL REPRESENTATIVE FOR TRADE

NEGOTIATIONS, AMBASSADOR ROBERT STRAUSS, TO SEEK WITHIN THE NEXT 90 DAYS TEMPORARY AGREEMENTS WITH FOREIGN FOOTWEAR EXPORTING NATIONS DESIGNED TO MODERATE RECENT RAPID SHIFTS IN TRADE CAUSING INJURY TO U.S. SHOE FIRMS, WORKERS AND COMMUNITIES. FURTHER, PRESIDENT CARTER HAS ORDERED A FULL REVIEW OF ALL EXISTING FEDERAL TRADE ADJUSTMENT ASSISTANCE PROGRAMS, WHICH HAVE PROVED INADEQUATE IN THE PAST, FOR THE PURPOSE OF DEVELOPING RECOMMENDATIONS TO THE CONGRESS FOR AN EFFECTIVE NEW PROGRAM, ALSO WITHIN 90 DAYS.

THE PRESIDENT DETERMINED THESE COURSES OF ACTION TO BE IN THE NATIONAL ECONOMIC INTEREST, IN ACCORDANCE WITH THE TRADE ACT OF 1974. IN DETERMINING THE NATIONAL ECONOMIC INTEREST, THE PRESIDENT MUST TAKE INTO ACCOUNT CRITERIA SPELLED OUT IN THE TRADE ACT, INCLUDING THE EFFECTS OF ANY ACTION ON CONSUMER COSTS AND INFLATION, AND ON U.S. EXPORTS AND TRADE RELATIONS WITH OTHER COUNTRIES, AS WELL AS ON THE DOMESTIC MARKET.

THE DECISIONS RESULT FROM A PRESIDENTIAL REVIEW OF A REPORT AND RECOMMENDATION FOR A FIVE-YEAR SYSTEM OF TARIFF-RATE QUOTAS BY THE U.S. INTERNATIONAL TRADE COMMISSION, WHICH FOUND THAT THE DOMESTIC FOOTWEAR LIMITED OFFICIAL USE

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INDUSTRY IS BEING SERIOUSLY INJURED, SUBSTANTIALLY BECAUSE OF INCREASED IMPORTS OF NON-RUBBER FOOTWEAR. THE PRESIDENT REJECTED THE USITC RECOMMENDATION ON THE GROUNDS THAT IT WOULD BE HIGHLY INFLATIONARY AND THE COSTS OF SAVING AND CREATING JOBS WOULD BE EXCESSIVE.

TO RESOLVE LONGER TERM PROBLEMS OF THE SHOE INDUSTRY AND OTHER INDUSTRIES IMPACTED BY INCREASING IMPORTS, A NEW AND INTEGRATED TRADE ADJUSTMENT SYSTEM WILL BE DESIGNED AND PRESENTED TO THE CONGRESS TO REVISE THE INADEQUATE PRESENT TRADE ADJUSTMENT ASSISTANCE PROGRAMS. THE PRESIDENT WILL RECOMMEND TO THE CONGRESS WITHIN THE NEXT 90 DAYS LEGISLATION REQUIRED TO ASSURE THAT PARTICULAR FIRMS, COMMUNITIES, AND GROUPS OF WORKERS ARE NOT FORCED TO BEAR ALONE THE COSTS OF THE BENEFITS TO ALL AMERICANS OF EXPANDED TRADE.

TO DEAL WITH THESE PROBLEMS, OTHER FEDERAL PROGRAMS AS WELL AS TRADE ADJUSTMENT ASSISTANCE PROGRAMS WILL BE

THOROUGHLY REVIEWED TO DEVELOP WAYS IN WHICH OTHER INDUSTRIES EXPERIENCING PROBLEMS CAUSED BY SHIFTING PATTERNS OF TRADE, SIMILAR TO THOSE FACED BY THE SHOE INDUSTRY, CAN BECOME MORE EFFICIENT AND COMPETITIVE.

AMBASSADOR STRAUSS HAS BEEN DIRECTED TO SEEK AGREEMENTS INITIALLY WITH THE APPROPRIATE IMPORT SUPPLIERS. IMPORT LEVELS WILL BE SOUGHT WHICH PROVIDE THE OPPORTUNITY FOR THE DOMESTIC INDUSTRY TO ADJUST, WITHOUT SERIOUS INFLATIONARY IMPACT. IF NEW PROBLEMS ARISE WITH RESPECT TO OTHER SUPPLIERS, CONSULTATIONS WILL BE SOUGHT TO PREVENT FURTHER DISRUPTION OF THE U.S. MARKET.

THE PRINCIPAL SHOE IMPORT SUPPLIERS ARE THE REPUBLICS OF CHINA AND KOREA, BRAZIL, SPAIN AND ITALY, WHICH ACCOUNT FOR 80 PERCENT OF U.S. IMPORTS OF NON-RUBBER FOOTWEAR. THE REPUBLICS OF CHINA AND KOREA HAVE RECORDED THE LIMITED OFFICIAL USE

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LARGEST GAINS SINCE 1974, EQUIVALENT TO THE OVERALL INCREASE OF IMPORTS OF 104 MILLION PAIRS.

ORDERLY MARKETING AGREEMENTS, WHICH ARE AUTHORIZED UNDER THE TRADE ACT, ARE FORMAL TRADE AGREEMENTS BETWEEN GOVERNMENTS. THEY ARE INTENDED TO BE USED AS VEHICLES FOR REQUIRED TEMPORARY IMPORT ADJUSTMENT, AND MAY BE MODIFIED OR TERMINATED BY THE PRESIDENT AT ANY TIME, TAKING INTO ACCOUNT THE ADVICE OF THE SECRETARIES OF COMMERCE AND LABOR AND THE USITC.

THIS ACTION IS BEING TAKEN PURSUANT TO GATT ARTICLE XIX. THE UNITED STATES WELCOMES CONSULTATIONS ON ITS PROPOSED ACTION.

IN ANNOUNCING HIS DECISION, PRESIDENT CARTER SAID ,I AM VERY RELUCTANT TO RESTRICT INTERNATIONAL TRADE IN ANY WAY. FOR 40 YEARS, THE UNITED STATES HAS WORKED FOR THE REDUCTION OF TRADE BARRIERS AROUND THE WORLD, AND WE ARE CONTINUING TO PURSUE THIS GOAL BECAUSE THIS IS THE SUREST LONG-RANGE WAY TO CREATE JOBS HERE AND ABROAD. ONLY PROBLEMS AS EXTREME AS THOSE FACED BY THE AMERICAN SHOE INDUSTRY COULD FORCE ME TO SEEK EVEN MODEST MANDATORY LIMITS ON IMPORTS".

NOTE: ADDITIONAL DATA REGARDING THE U.S. NON-RUBBER FOOTWEAR INDUSTRY HAS BEEN PROVIDED TO THE SECRETARIAT, WHO WILL MAKE IT AVAILABLE UPON REQUEST.

4. END TEXT.

5. MISSION SHOULD PROVIDE GATT SECRETARIAT THE SECTIONS
OF REFTEL D HEADED "FACTS ON THE NON-RUBBER FOOTWEAR
INDUSTRY" AND ,KEY NON-RUBBER FOOTWEAR DATA, AND REQUEST
THAT THEY MAKE MATERIAL AVAILABLE TO CP'S ON REQUEST.
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BEGIN LIMITED OFFICIAL USE:

6. WE AGREE THAT POINTS RAISED REFTEL B NEED TO BE
ADDRESSED, AND WILL BE PROVIDING GUIDANCE VIA SEPTTEL TO
ASSIST YOU IN ANSWERING QUESTIONS THAT MAY ARISE. ON
REFLECTION, HOWEVER, WE PREFER NOT RPT NOT TO INCLUDE
DISCUSSION OF THESE POINTS IN GATT NOTIFICATION.
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Sent Date: 07-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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